

WELCOME TO BUYUSA.COM

NEW E-MARKETPLACE OFFERS CLICKS, MORTAR AND PLENTY OF BUYERS

by Doug Barry and Joel Reynoso

E-Commerce Task Force, U.S. & Foreign Commercial Service

Can e-commerce help triple the one percent of all U.S. businesses that exported goods last year?

U.S. Commercial Service officials hope so and are banking on a new e-marketplace to introduce thousands of mainly small and mid-size companies during the next couple of years to 95 percent of the world's consumers.

BuyUSA.com, created by the Commercial Service and IBM, is the vehicle for linking businesses in the U.S. with qualified buyers and potential business partners around the world.

Launched last month, the site allows U.S.-based companies to find foreign buyers and distributors for their products. Similarly, businesses located outside the U.S. can view product catalogs and background information on U.S. com-

panies that have been pre-qualified by trade Commercial Service trade experts.

"CLICK AND MORTAR" TO THE RESCUE

But what makes BuyUSA.com a better bet to succeed than a whole pull down menu of favorite B2B marketplaces that haven't turned a profit, or have tanked during the recent dot com meltdown? One difference may be that BuyUSA.com has a large network of offices and people and the "bricks and mortar" side of the equation seems to be a major factor separating e-marketplace winners and losers. The "click and mortar" service offers physical access to local U.S. trade specialists who can assist buyers and sellers with issues such as regulatory compliance and credit screening—things that can tongue-tie most e-commerce 1-800 help desks.

Also, a marketplace whose managers know local market conditions and understand cultural nuances can prevent sellers from fumbling in unfamiliar places. For example, one U.S. company wanted to move into the Swedish e-commerce market with the domain name get-gift.com. Makes total sense in English, but literally means "go get poison for goats" in Swedish.



BuyUSA.com aims to provide access to new markets while dramatically reducing the costs and risks of entry. "This is a very sophisticated marketplace," said Jerry Mitchell, acting director general of the U.S. Commercial Service. "Standing behind each business relationship and transaction is our worldwide network of 1,800 experienced professional trade specialists in 105 U.S. Export Assistance Centers and 157 offices co-located in U.S. Embassies and Missions in 84 countries worldwide. We can help build value-adding business relationships where none exist."

IBM agreed to partner with a federal government agency in part because of this global network that matches its own in geographic coverage. But IBM also seemed to recognize that this is not an ordinary government organization.

"The U.S. Commercial Service is a very entrepreneurial government agency," said Rusine Mitchell-Sinclair, general manager, managed e-business services, IBM Global Services. "Together we were able to rapidly develop and launch a marketplace that can help small and mid-sized businesses find new markets around the world. This project demonstrates how the public and private sectors can join forces to develop cost-effective technology solutions aimed at fostering economic development."

GOING GLOBAL WITHOUT BETTING THE FARM

How cost-effective? Although prices are coming down and features going up, a business these days can easily spend up to a \$1 million for a higher-end transactional web site. In contrast, the BuyUSA.com basic annual membership is \$300 or \$725 for a catalog containing up to 500 product or service descriptions — and you

TIPS FOR SELECTING A MARKETPLACE

BUYERS SHOULD

- Look for the lowest prices and broadest selection
- Seek assurances of quality and reliability
- Check out a site's financing and logistics services—they can make the difference between one marketplace and another

SELLERS SHOULD

- Compare the fees with those charged by other marketplaces and by traditional distributors
- Find out whether the site delivers enough traffic to warrant the fees; also ask how your brand will be represented online
- Is information, especially from catalogs, presented in an appealing way
- Is there technical support available and does it appear adequate
- Is purchasing easy
- Are there value added services such as financing, market information, and chat rooms
- Ask how the site is marketed to potential customers
- Beware of "channel conflict," or whether your online presence messes up relationships with older, off-line customers
- Be prepared for the back-end hurdles of integrating inventory and purchasing systems with marketplaces (and ask what kinds of help the marketplace will provide in creating these integrations)

BUYERS AND SELLERS SHOULD

- Determine whether the marketplace lets you preserve existing relationships, for example by allowing you to identify a preferred buyer or seller
- Ask how the marketplace screens out fraudulent participants
- Check out the track record for system crashes and hackers, and ask about backups
- What are the procedures in the event of lost orders
- Does the marketplace offer news, expert advice or other value added services

can have a virtual presence with money left for a cup of coffee. In addition, the opportunities for high return on investment could be substantial, as the Commercial Service catered off-line to about 20,000 mostly small U.S. firms last year and facilitated sales worth more than \$21 billion.

Affordability was a major selling point for Liz Serrano of Philadelphia-based Hunt International a 100-year-old manufacturer of office supplies including Boston staplers and pencil sharpeners. After subscribing to BuyUSA.com before last month's rollout, Serrano is sharpening her pencil with hopes of some new business from abroad. "Using the BuyUSA.com catalog to target international customers at a low cost is the feature that most interested us," she explained. "We get limited inquiries through our existing web site from foreign businesses, but they are mostly end consumers or small stores."

What Serrano hopes to get from BuyUSA is more interest from potential distributors. She likes the fact that there's a U.S. Export Assistance Center in Philadelphia that will work hand in glove with her

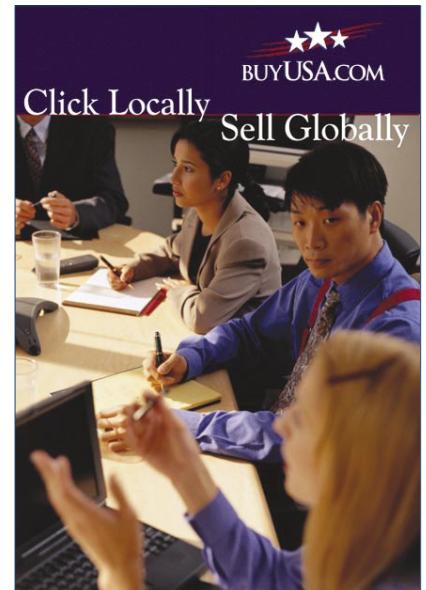
and BuyUSA.com to target the best markets and expand Hunt's business.

Another appeal of BuyUSA.com for businesspeople that have signed up for the service is that it comes as close as they've seen to a true one-stop shop. Elizabeth Austin, business development and marketing manager for Scandinavian Naturals, says the service seems "to bring together more pieces of the puzzle—buyers, sellers and trade opportunities."

Scandinavian Naturals, a manufacturer of nutritional supplements, skin care and other products for the natural healthcare market, currently exports to 30 countries. "There are a million different places to go" to look for distributors and agents, said Austin, "so simplifying my job and facilitating my exposure to foreign distributors and agents is very important."

TAKING THE FEAR OUT OF CLICKING

The Commercial Service spends a great deal of effort identifying qualified buyers in the markets where it has offices and knows the lay of the land. In the crazy quilt world of languages and business practices,



knowing who pays the bills on time and enjoys a good reputation for delivering the goods is invaluable—for buyers and sellers.

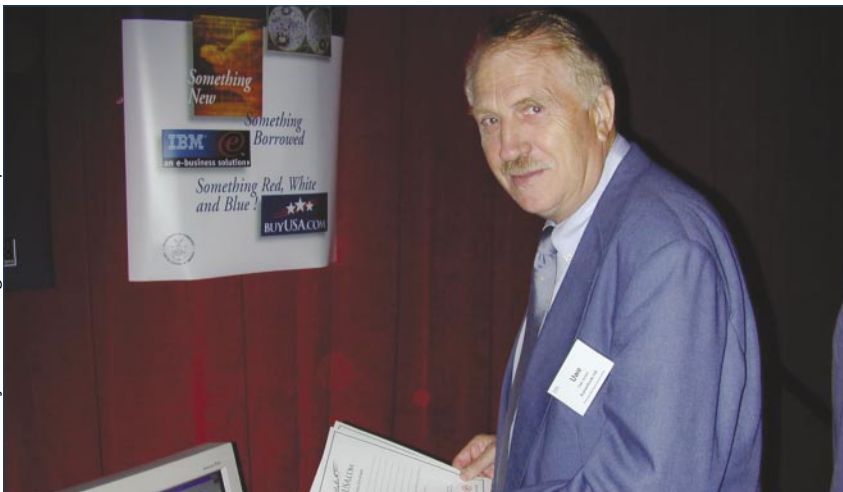
The trust factor was a particularly strong selling point for BuyUSA.com subscriber Robert Cogia, president of Lactona Corporation, a Pennsylvania-based manufacturer of oral hygiene products. "Frankly, I'm afraid when I get contacted out of the blue by a potential overseas customer," he said, "I need to expand my customer base, but I need to know who I'm dealing with."

When asked about seeking help from the U.S. Government, Cogia said he has absolutely no qualms. "Working with the Department of Commerce gives me confidence. It gives me a good feeling, and I know other small businesspeople who have never exported before but are ready to sign up for the same reason."

POINT, CLICK, AND SAMBA

Foreign buyers often mirror the concerns of U.S. businesses. Here's how BuyUSA.com works from the foreign buyer side. Say a Brazilian natural healthcare products distributor or retailer is looking for new

Photo courtesy of Pamela Plegler, Houston Export Assistance Center

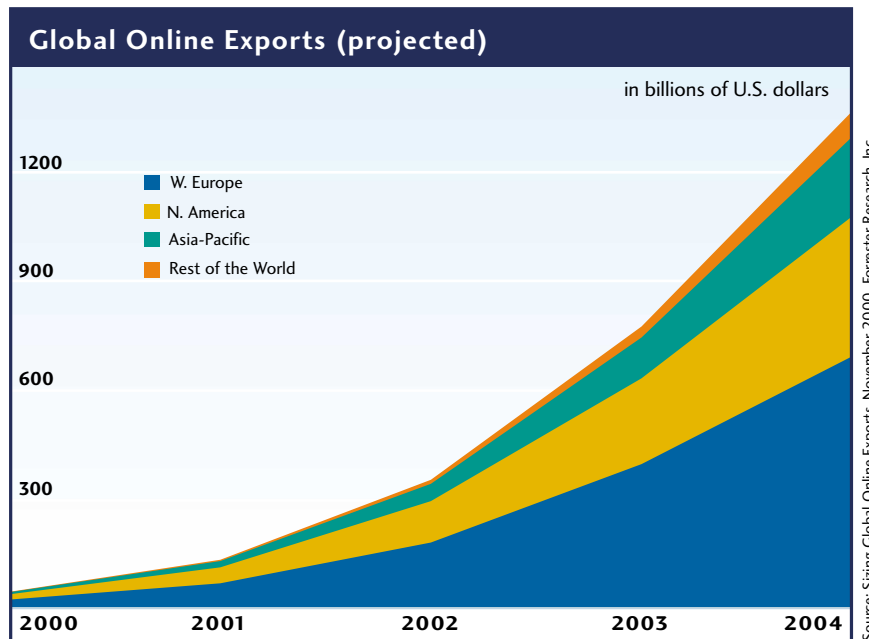


Uwe Jensen, President of Scanamfunds, Ltd, and a member of the Houston District Export Council looks over BuyUSA.com information during a recent E-business seminar.

products from the U.S. The Brazilian firm, who is known by the local Commercial Service office, can post a lead on the site. U.S. suppliers such as Scandinavian Naturals (which now doesn't have to worry about speaking fractured Portuguese) can contact the Brazilian directly online. If the Brazilian is unsure about the U.S. supplier, they can contact their local U.S. Commercial Service office, located in Sao Paulo, Rio de Janeiro, Brasilia and Belo Horizonte, to get more information about the supplier. These offices also provide access to local Commercial Service experts, business and industry information on all 50 states, assist in scheduling meetings with U.S. suppliers either face-to-face or via videoconference, online discussion forums and a calendar of U.S. trade events.

U.S. members get automated trade lead matching via e-mail alerts, online business opportunity postings, international market research on individual countries and industries and customized counseling that includes international channel development strategies to shipment logistics guidance. Future enhancement to the marketplace, which is expected later this year, will allow members to conduct the whole transaction entirely online with help from an array of logistics and financing partners.

BuyUSA.com uses the WebSphere Commerce Suite that allows subscribers to build their own catalogs and provides a web browser. A user logs on and employs the search engine to find a product, searching by key words or harmonized code. The user can also create a matching agent that keeps on searching after the session ends. If the match is found with the desired product, the buyer is alerted with an email. IBM created this feature using Net.Data to find matches and a Java program for the email application.



TRENDS ARE LOOKING UP

All this may sound impressive, but what are the future prospects for exports sold on line and should small companies be spending time and money pursuing new business this way? Looking beyond the wreckage of inflated stock prices and failed e-business plans, the trends suggest that faith in this realm is not misplaced. Indeed, Forrester Research estimates that exports arranged on line should top \$100 billion by the end of the year. And this figure should jump to \$350 billion in 2002, \$775 billion in 2003, and nearly \$1.4 trillion or 18 percent of total global trade in 2004.

One estimate has e-marketplaces grabbing \$408 billion, or 30 percent of on line global exports, in 2004. U.S. exporters could do \$22 billion worth of business through e-marketplaces this year and up to \$210 billion in 2004. Other countries that will reportedly lead the way as major importers and exporters of goods via B2B marketplaces are, in order of estimated volume: Western Europe, led by Germany; NAFTA nations, led by Canada; and the Asia-Pacific region,

led by Japan (see June 2000 issue of *Export America* for an overview of the Japanese e-commerce market).

But buyers can come from any country that has access to the Internet, and as business owners like Lactona's Robert Coglia knows, it doesn't take many to make a big difference to the bottom line. "I know there will be distributors throughout interested in our products," he said, "we need help finding them and completing the sale."

Replies the Commercial Service's Jerry Mitchell, "we want BuyUSA.com to be a marketplace that saves both buyers and sellers time, money and worry. Our primary function is creating perfect matches. We've done it successfully for 20 years around the world, and now we're doing it online." ■

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